

# UK manufacturing

## UK manufacturing production surges higher in December, tracking PMI

- **Output rose 0.9% in December.**
- **PMI data indicate that robust growth continued at start of 2010.**

UK manufacturing production expanded at a solid pace of 0.8% (3m/3m) in December, according to the latest Office for National Statistics data, the fastest growth since April 2006. The month-on-month increase of 0.9% was three times higher than the 0.3% expected by analysts. However, manufacturing production remains over 13% lower than its February 2008 peak, having fallen by over 15% from peak-to-trough in August 2009.

The stronger than anticipated data raise hopes that the ONS will revise up its estimate for Q4 GDP growth from the lacklustre 0.1% q/q increase already reported, although the ONS indicated in its release that the data are consistent with an upward revision of less than 0.1 percentage points.

The strongest performing sectors were transport, timber & paper and electrical & optical equipment. Output rose across all three market sectors – capital, consumer and intermediate – suggesting that growth had come from a broad-base, boding well for the sustainability of the recovery.

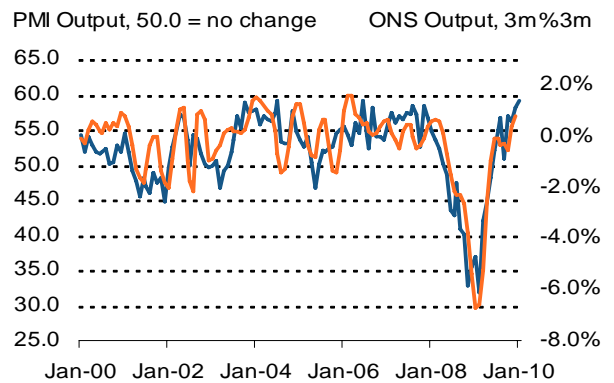
The increase was broadly in line with that signalled by December's CIPS/Markit PMI Output Index, published over five weeks before the ONS data. At a 25-month high of 58.3, the output index was consistent with growth of around 0.9%-1.0% (3m/3m), based on historical comparisons of the two series.

PMI data are already available for January and suggest that the sector maintained its robust end to 2009 at the start of the current year. The PMI Output Index rose to its highest level for over three-and-a-half years, while the headline PMI – a composite index covering new orders, output, employment, supplier delivery times and stocks of purchases – rose to its highest level since October 1994. The inventory cycle remained supportive to growth, but the biggest

additional boost according to the PMI was from foreign demand. New export orders rose at the fastest rate since at least January 1996, reflecting a combination of manufacturers pricing goods more competitively, the weak sterling exchange rate and improving conditions in overseas markets<sup>1</sup>.

For comparison, the Quarterly CBI Industrial Trends survey has painted a similarly improved picture of the performance of UK manufacturing in recent months. At 11%, the latest CBI output net balance (i.e. those reporting an increase minus those reporting a decrease) was the strongest since January 2007, while export orders picked up for the first time since January 2008.

### Manufacturing Output



### ONS December release: Headline Statistics

Key Statistic:	%
Manufacturing Production (peak-to-current)	- 13.1
Manufacturing Production (peak-to-trough)	- 15.4
Manufacturing Production (y/y)	- 1.9
Manufacturing Production (3m/3m)	+ 0.8
Manufacturing Production (m/m)	+ 0.9

### CIPS/Markit PMI: Next release:

February PMI data are released on 1<sup>st</sup> March 2010.

<sup>1</sup> [http://www.markit.com/assets/en/docs/commentary/markit-economics/2010/feb/UK\\_manufacturing\\_01\\_02\\_2010.pdf](http://www.markit.com/assets/en/docs/commentary/markit-economics/2010/feb/UK_manufacturing_01_02_2010.pdf)

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